


**MEMORANDUM**

DATE: July 12, 2000
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development 
SUBJECT: Briefing MEMO – Target Corporation

COMPANY NAME AND ADDRESS:

Target Corporation
1000 Nicollet Mall
Minneapolis, Minnesota 55440-9411

HISTORY OF COMPANY:

Target Corporation is a publicly traded, broad line retail company founded in 1902. Hudson's, Marshall Field, and Target are all retail outlets for the company. The company expects to continue expanding at a rate of 75 to 90 stores annually and to increase sales and profits by at least 15 percent annually. In addition, the company will begin creating Super Target stores that will not only provide traditional department store products, but also offer traditional grocery stock.

PROJECT DESCRIPTION:

Target would like to construct a new facility in either Charleston Township, near Kalamazoo, or in the Toledo, Ohio area. This warehousing and distribution center would serve Target retail outlets in the upper Midwest. Investment would be approximately \$89 million that would be divided nearly equally between building and equipment. This facility is expected to employ 900 people at capacity. Average weekly wage would be \$512 with a full benefit package. The facility is expected to be fully operational in May 2002.

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BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 1,518 jobs in the state by the year 2010. Total state government revenues through the year 2010, net of MEGA costs and adjusted for inflation, would be increased by \$43,951,000 (2000 dollars) due to the presence of this facility.

COST ANALYSIS:

As part of the company's decision-making process, it has undertaken a comprehensive cost analysis between Charleston Township and Toledo, Ohio. Based on figures obtained from the company, the cost disadvantage for Target to locate this expansion in Michigan rather than Ohio amounts to approximately \$1.5 million annually. This cost differential is primarily attributable to increased transportation costs, as calculated by the transportation companies that currently serve Target facilities. In addition, Ohio has offered Target a \$5 million job creation tax credit.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will provide Target Corporation an Economic Development Job Training grant of up to \$500,000. In addition, up to \$2.5 million in infrastructure development assistance will be provided to the site through the Community Development Block Grant program and the Michigan Department of Transportation's Economic Development Fund. The local community is providing free land for this facility that is valued at \$2.5 million.

BUT FOR:

Target would not consider a location in Michigan without the MEGA credit due to the added cost of transportation that will be incurred by placing this facility at a distance from the I-80/I-90 highway corridor.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment credit of 100 percent for up to 900 new jobs for the first two years and an employment credit of 50 percent for up to 900 new jobs for the following seven years.